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NEW YORK TIMES
15 JULY 1981

Judge Asserts Casey, C.I.A. Chief, Misled Stock Buyers in '68

By PAUL L. MONTGOMERY

William J. Casey, the Director of Central Intelligence, knowingly participated with several others in an investment offering for a farming company in 1968 that "omitted and misrepresented facts" to investors, according to a Federal District Court decision handed down in May.

The ruling on May 19 by Judge Charles E. Stewart Jr. of the Federal District Court in Manhattan named Mr. Casey as one of the officers and promoters of Multiponics Inc. who was responsible for the misleading offering. Mr. Casey was then a private lawyer and was listed as the secretary and a director of the company. The company went into bankruptcy proceedings in 1971 and is now defunct.

Judge Stewart's decision, which was based on documents and admissions by the defendants, including Mr. Casey, was part of a drawn-out lawsuit in which disgruntled investors are seeking to recoup their losses. Many other issues in the case, including damages, remain to be litigated, and Mr. Casey's lawyers are seeking a reargument of the portion decided by Judge Stewart.

One of Mr. Casey's lawyers, Arnold S. Jacobs of the firm of Shea & Gould, said yesterday that his client was "taking the position that he did not violate the Federal security law."

"Mr. Casey was a passive investor" who was not directly involved in the management of the company, said Mr. Jacobs. "He lost a lot of money in the company, virtually all of his investment." Mr. Jacobs is representing Mr. Casey with Milton Gould, the firm's senior partner.

A spokesman for the C.I.A. said that Mr. Casey had no comment on the case.

Mr. Casey's involvement with Multiponics and the subsequent lawsuit came up in 1973 in Senate confirmation hearings on his appointment as Under Secretary of State for Economic Affairs. Mr. Casey, then chairman of the Securities and Exchange Commission, denied wrongdoing and said, "It's a question of a business decision." Senator Jacob K. Javits said later he was satisfied Mr. Casey had done nothing wrong.

The kind of suit in which Mr. Casey is a defendant is a common action by investors against officers of a bankrupt company. "This is your garden-variety lawsuit that any businessman-lawyer might run into in the course of his career," said Wallace L. Timmeny, who has handled similar cases for the Washington law firm of Kutak, Rock & Huie. "That is absolutely it."

Multiponics, formerly called Ivanhoe Associates, was incorporated in Delaware in 1968. It consisted of 43,000 acres of soybean, rice, cotton and corn land in Louisiana, Mississippi, Arkansas and Florida assembled by the company's founders, including Mr. Casey. Among the other founders were Stanley E. Burkley of Natchez, Miss.; N. Leslie Carpenter, an investment banker from Natchez; Alfred J. Moran, a New Orleans industrialist; Lawrence F. Orbe 3d, a New Orleans investment banker; and James H. Swinny, a Natchez businessman. All are defendants in the lawsuit.

After incorporation in 1968, the company made a private investment offering of 35,000 units consisting of $100 par value subordinated debentures, shares of common stock and warrants to purchase additional shares. In 1969 and again in 1970, the company registered a public offering of stock with the Securities and Exchange Commission, which Mr. Casey then headed, but the offering was never actually made and the company soon became insolvent. It is the difference between the language of the private offering and the proposed public offering that forms much of the dispute in the lawsuit brought by investors in the original 35,000 units.

According to Judge Stewart's ruling, there were several important omissions or mistatements in the private offering, later corrected in the public offering. The private offering implied that the seven farms that made up Multiponics were operating and profitable, whereas the later statement acknowledged that two farms were not operating at the time they were acquired, two were only being sharecropped, and a fifth was operating at a loss.

An omission cited by the judge in the original offering concerned the terms under which Multiponics acquired the farms from its founders. The private offering did not mention that the company had taken over the mortgages of the farms, creating considerable built-in indebtedness. This was acknowledged in the proposed public offerings.

Mr. Casey, according to the court papers, was part owner of three of the seven farms when they were sold to Multiponics, and received Multiponics securities in exchange. According to the records, he invested $145,814 in the land, the largest single investment among the founders, and Multiponics assumed $301,000 in mortgages while issuing him 65,973 shares of stock.

After reviewing the evidence, Judge Stewart concluded:

"In sum, there is no genuine issue of material fact that the offering statement omitted and misrepresented facts that would have been material to a reasonable investor in determining whether to purchase Multiponics stock."